

**Cyberspace Innovation Center, Incorporated**

**Financial Statements**

**As of and for the Years Ended December 31, 2012 and 2011**

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Independent Auditors' Report

To the Board of Directors  
Cyberspace Innovation Center, Incorporated

## **Report on the Financial Statements**

We have audited the accompanying financial statements of Cyberspace Innovation Center, Incorporated (a nonprofit organization), which comprise the statements of financial position as of December 31, 2012 and 2011, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

*In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cyberspace Innovation Center, Incorporated, as of December 31, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.*

***Other Matters***

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2013, on our consideration of Cyberspace Innovation Center, Incorporated's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards in considering Cyberspace Innovation Center, Incorporated's internal control over financial reporting and compliance*.



Cook and Morehart  
Certified Public Accountants  
July 12, 2013

Cyberspace Innovation Center, Incorporated  
 Statements of Financial Position  
 December 31, 2012 and 2011

Assets	<u>2012</u>	<u>2011</u>
<i>Current assets:</i>		
Cash and cash equivalents	\$ 2,759,574	\$ 6,804,446
Accounts receivable	25,128	45,347
Grants and contracts receivable	858,759	25,044
Prepaid expenses	39,165	36,398
Total current assets	<u>3,682,626</u>	<u>6,911,235</u>
<i>Noncurrent assets:</i>		
Property and equipment, net	<u>3,268,886</u>	<u>228,706</u>
<b>Total Assets</b>	<b><u>\$ 6,951,512</u></b>	<b><u>\$ 7,139,941</u></b>
<b>Liabilities and Net Assets</b>		
<i>Current liabilities:</i>		
Accounts payable	\$ 520,755	\$ 16,273
Tenant deposit - current portion	125,000	125,000
Deferred revenue	188,802	43,802
Total current liabilities	<u>834,557</u>	<u>185,075</u>
<i>Non-current liabilities:</i>		
Tenant deposit	<u>125,000</u>	<u>250,000</u>
Total liabilities	<u>959,557</u>	<u>435,075</u>
<i>Net assets</i>		
Unrestricted	5,571,557	5,913,408
Temporarily restricted	<u>420,398</u>	<u>791,458</u>
Total net assets	<u>5,991,955</u>	<u>6,704,866</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 6,951,512</u></b>	<b><u>\$ 7,139,941</u></b>

The accompanying notes are an integral part of the financial statements.

Cyberspace Innovation Center, Incorporated  
Statement of Activities  
For the Year Ended December 31, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<i>Revenues and other support:</i>			
Contractual revenue-grants	\$ 2,228,525	\$ 20,795	\$ 2,249,320
Donations and contributions	10,000		10,000
Lease income	3,184,456		3,184,456
Registration income	249,798		249,798
Interest income	23,349		23,349
Other	12,948		12,948
Net assets released from restrictions	391,855	(391,855)	
Total revenues, gains, and support	<u>6,100,931</u>	<u>(371,060)</u>	<u>5,729,871</u>
 <i>Expenses:</i>			
Supporting services			
Management and general	453,406		453,406
 <i>Programs services</i>	<u>5,989,376</u>		<u>5,989,376</u>
Total expenses	<u>6,442,782</u>		<u>6,442,782</u>
 <i>Change in net assets</i>	(341,851)	(371,060)	(712,911)
 Net assets, beginning of year	<u>5,913,408</u>	<u>791,458</u>	<u>6,704,866</u>
 Net assets, end of year	<u>\$ 5,571,557</u>	<u>\$ 420,398</u>	<u>\$ 5,991,955</u>

The accompanying notes are an integral part of the financial statements.

Cyberspace Innovation Center, Incorporated  
Statement of Activities  
For the Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Total
Revenues and other support:			
Contractual revenue-grants	\$ 250,554	\$	\$ 250,554
Donations and contributions	56,500		56,500
Lease income	2,738,673		2,738,673
Registration income	297,712		297,712
Sponsorships	15,000		15,000
Interest income	31,546		31,546
Other	6,022		6,022
Total revenues, gains, and support	<u>3,396,007</u>		<u>3,396,007</u>
Expenses:			
Supporting services			
Management and general	417,402		417,402
Programs services	<u>3,391,458</u>		<u>3,391,458</u>
Total expenses	<u>3,808,860</u>		<u>3,808,860</u>
Change in net assets	(412,853)		(412,853)
Net assets, beginning of year, restated	<u>6,326,261</u>	<u>791,458</u>	<u>7,117,719</u>
Net assets, end of year	<u>\$ 5,913,408</u>	<u>\$ 791,458</u>	<u>\$ 6,704,866</u>

The accompanying notes are an integral part of the financial statements.

Cyberspace Innovation Center, Incorporated  
Statement of Functional Expenses  
For the Year Ended December 31, 2012

	Management and General	Program Services	Total
<i>Marketing</i>	\$ 47,928	\$ 11,260	\$ 59,188
Events		254,691	254,691
Academic outreach		312,793	312,793
Insurance	9,126	212,051	221,177
Routine services building	15,429	601,737	617,166
Routine maintenance building	949	36,994	37,943
Professional fees	14,471	66,483	80,954
Office	21,838	125,066	146,904
<i>Contract labor</i>	310,419	1,984,486	2,294,905
Consulting services		389,320	389,320
Security services		90,440	90,440
Utilities	15,302	596,763	612,065
IT Network support	1,628	63,484	65,112
Telephone and internet services	1,040	40,551	41,591
Travel	4,047	157,822	161,869
Rent	4,500	199,168	203,668
<i>Depreciation</i>		229,439	229,439
Cyber security services		72,406	72,406
Other	6,729	23,080	29,809
Cybersecurity education and training programs		521,342	521,342
<b>Total expenses</b>	<b>\$ 453,406</b>	<b>\$ 5,989,376</b>	<b>\$ 6,442,782</b>

The accompanying notes are an integral part of the financial statements.

Cyberspace Innovation Center, Incorporated  
Statement of Functional Expenses  
For the Year Ended December 31, 2011

	<i>Management and General</i>	<i>Program Services</i>	<i>Total</i>
Marketing	\$ 10,959	\$ 25,657	\$ 36,616
Events		299,055	299,055
Academic outreach		200,280	200,280
Insurance	12,107	143,538	155,645
Routine services building	9,977	488,855	498,832
Routine maintenance building		19,981	19,981
Professional fees	12,100	46,915	59,015
Office	19,639	24,143	43,782
Contract labor	313,802	833,667	1,147,469
Consulting services		224,000	224,000
Security services		87,849	87,849
Utilities	9,280	454,737	464,017
IT Network support	769	48,690	49,459
Telephone and internet services	865	42,389	43,254
Travel	20,349	81,396	101,745
Rent	3,000	27,000	30,000
Depreciation		99,433	99,433
Cyber security services		157,316	157,316
Other	4,555	86,557	91,112
Total expenses	<u>\$ 417,402</u>	<u>\$ 3,391,458</u>	<u>\$ 3,808,860</u>

The accompanying notes are an integral part of the financial statements.

Cyberspace Innovation Center, Incorporated  
 Statements of Cash Flows  
 For the Years Ended December 31, 2012 and 2011

Operating Activities	2012	2011
Changes in net assets	\$ (712,911)	\$ (412,853)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	229,439	99,433
(Increase) decrease in operating assets:		
Grants and contracts receivable	(833,715)	(25,044)
Accounts receivable	20,219	(22,201)
Prepaid expenses	(2,767)	(25,398)
Accrued interest income		59,055
Increase (decrease) in operating liabilities:		
Accounts payable	504,482	6,637
Deferred revenue	145,000	33,450
Tenant deposit	(125,000)	375,000
Net cash provided (used) by operating activities	(775,253)	88,079
 Investing Activities		
Payments for improvements and equipment	(3,269,619)	(36,981)
Net cash (used) by investing activities	(3,269,619)	(36,981)
Net increase (decrease) in cash and cash equivalents	(4,044,872)	51,098
Cash and cash equivalents as of beginning of year	6,804,446	6,753,348
Cash and cash equivalents as of end of year	\$ 2,759,574	\$ 6,804,446

The accompanying notes are an integral part of the financial statements.

Cyberspace Innovation Center, Incorporated  
Notes to Financial Statements  
December 31, 2012 and 2011

(1) Summary of Significant Accounting Policies

A. Nature of Activities

Cyberspace Innovation Center, Incorporated (CIC) is a nonprofit corporation organized under the laws of the State of Louisiana. The primary purpose of the CIC is to engage in activities to promote, facilitate, encourage, coordinate and aid scientific investigations, research, education, training and allied supportive services dedicated to the development of cyberspace technology, including technology to be utilized by the United States Air Force for the benefit of the United States and the general public. The CIC, including administrative offices, is located in Bossier City, Louisiana.

The CIC leases property located at 6300 East Texas Street, Bossier City, Louisiana from the City of Bossier City and the Parish of Bossier. The primary consideration for the lease is the CIC's agreement to assist the City, Parish and State goal of developing a high quality research park in close proximity to Barksdale Air Force Base which will enhance existing and future missions at Barksdale and create economic development and educational opportunities in the Bossier area. The CIC is responsible for the full development, operations, and maintenance of the property and shall sublease the property in order to advance the City, Parish and State goal. All revenues derived by the CIC in excess of reasonable expenses from the property are to be used solely for the development, operations and maintenance of such property and fulfilling the CIC's primary purpose.

B. Basis of Accounting

The financial statements of the CIC have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB). Under those standards the CIC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

- a. Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations.
- b. Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the CIC and/or passage of time. This classification includes gifts, annuities, and unconditional promises to give for which the ultimate purpose of the proceeds is not permanently restricted.
- c. Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the CIC.

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or

(Continued)

Cyberspace Innovation Center, Incorporated  
*Notes to Financial Statements*  
December 31, 2012 and 2011  
(Continued)

by law. Expiration of temporary restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled *and/or* the stipulated time period has elapsed) is reported as reclassifications between the applicable classes of net assets.

Contributions are recognized as revenues in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their fair value.

D. Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents includes all cash on hand and cash on deposit with maturities of less than three months.

E. Property and Equipment

The CIC capitalizes property and equipment over \$2,000. Lesser amounts are expensed. Purchased property and equipment are capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted contributions. Absent donor stipulations regarding how long those donated assets must be maintained, the CIC reports expirations of donor restrictions when the donated or acquired assets are placed in service. The CIC reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over estimated useful lives.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Income Taxes

The CIC is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. Accordingly, no provision for income taxes has been made. However, should the CIC engage in activities unrelated to its exempt purpose, taxable income could result. The CIC had no unrelated business income for the years ended December 31, 2012 and 2011.

The CIC's Forms 990, *Return of Organization Exempt from Income Tax*, for the years 2010, 2011, and 2012 are subject to examination by the IRS, generally for three years after they were filed.

H. Advertising

Advertising and promotion costs are expensed as incurred. Advertising expense totaled \$6,446 and \$2,350 respectively, for the years ended December 31, 2012 and 2011.

(Continued)

Cyberspace Innovation Center, Incorporated  
Notes to Financial Statements  
December 31, 2012 and 2011  
(Continued)

I. Restricted and Unrestricted Revenue and Support

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

J. Deferred Revenue

Income from rent and other events are deferred and recognized over the periods to which the rent and events relate.

K. Grants and Contracts Receivable

Grants and contracts receivable represent amounts due from governmental agencies and contractors under contractual terms. CIC considers grants and contracts receivable at December 31, 2012 and 2011 to be fully collectable; accordingly, no allowance for doubtful accounts is required.

(2) Concentrations of Credit Risk

Concentrations of credit risk with respect to accounts receivable are limited due to the small number of receivables comprising the amount. Concentrations of credit risk with respect to grants and contracts receivable were limited due to the balances being comprised of amounts due from governmental agencies and contractors under contractual terms. As of December 31, 2012 and 2011 CIC had no significant concentrations of credit risk in relation to accounts and grants and contracts receivable.

The CIC maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At December 31, 2012, total cash balances held at financial institutions was \$2,870,191. Of this amount \$750,000 was secured by FDIC, and the remaining \$2,120,191 was unsecured. At December 31, 2011, total cash balances held at financial institutions was \$6,946,576. Of this amount, \$750,000 was secured by FDIC, and the remaining \$6,196,576 was unsecured.

(3) Property and Equipment

Property and equipment at December 31, 2012 and 2011, with estimated depreciable life, are summarized as follows:

		<u>2012</u>	<u>2011</u>
Leasehold improvements	15 years	\$3,188,705	\$ 476,794
Computer equipment	3-5 years	520,303	476,794
Other equipment	3-5 years	37,405	
Accumulated Depreciation		<u>( 477,527)</u>	<u>( 248,088)</u>
		<u>\$3,268,886</u>	<u>\$ 228,706</u>

Depreciation expense for the years ended December 31, 2012 and 2011, was \$229,439 and \$99,433, respectively.

(Continued)

Cyberspace Innovation Center, Incorporated  
Notes to Financial Statements  
December 31, 2012 and 2011  
(Continued)

(4) Temporarily Restricted Net Assets

*Temporarily restricted net assets consisted of grant revenues received for specific purposes and not expended as of December 31, 2012 and 2011.*

(5) Lease

*On September 2, 2009, and subsequently amended on October 31, 2011, the CIC entered into an agreement with Bossier City and Bossier Parish to lease the newly constructed, 135,000, square foot building and all other improvements at 6300 East Texas Street, Bossier City, Louisiana 71111 (the Premises). The CIC agreed to develop, operate and maintain the Premises, as well as to promote the Premises as a research park and sublease the Premises under the terms and to persons and entities all of which advance the City, Parish and State goal of developing a high quality research park. As additional rent, the CIC agreed to pay all utilities, real estate taxes, maintenance expenses and insurance associated with the Premises. Effective November 1, 2011, the CIC began paying the Bossier Parish Police Jury \$15,000 a month in accordance with the terms of the lease. The terms of the lease are for a period of twenty-five years, unless terminated pursuant to the terms, covenants, and conditions of the lease. There is also an option to extend the lease for three consecutive terms of ten years. Amounts paid under this agreement for the years ended December 31, 2012 and 2011 were \$180,000 and \$30,000, respectively.*

(6) Sublease

*On December 27, 2009, the CIC entered into an agreement with the Air Force of The United States of America to lease Premises described in Note 5. The term of this agreement is for two one year periods, commencing upon the date of occupancy, April 15, 2010. The stated annual rent is \$1,600,000 payable in equal monthly installments. In addition, the lease calls for a one-time payment of \$5,300,000 for facility configuration costs to be paid within 30 days of the execution of the lease, which was received in 2010. The lease was renewed for one year at \$1,680,000 through April, 2013.*

(7) Consulting Service Agreement

*From its inception, the administrative and operational services of Cyberspace Innovation Center, Incorporated have been performed under the leadership of Mr. Craig Spohn through an agreement between Broadmoor Consulting, LLC and the City of Bossier City and Bossier Parish Police Jury. Broadmoor Consulting, LLC is a single member limited liability company owned by Mr. Spohn. Mr. Spohn is Executive Director of CIC and was a member of the Board of Directors until January 24, 2012. The City of Bossier City and the Bossier Parish Police Jury provided the necessary funding for such operations until October 31, 2010. Since then, the Board of Directors for Cyberspace Innovation Center, Incorporated has approved a resolution to replace the City of Bossier City and the Bossier Parish Police Jury as the funding agent for the Cyberspace Innovation Center, Incorporated – Broadmoor Consulting, LLC agreement. Furthermore, the resolution established a policy requiring approval from the Board of Directors for any changes to this or any other agreement entered into by Cyberspace Innovation Center, Incorporated to thus ensure the necessary check and balance policies were established to provide Board insight and approval. Amounts paid to Broadmoor Consulting, LLC during the years ended December 31, 2012 and 2011 for the administrative and operational services pursuant to the agreement was \$1,837,501 and \$1,068,219, respectively to provide the staff necessary (approximately 15-16 staff) to operate, lease, maintain and develop the CIC and the National Cyber Research Park.*

(Continued)

Cyberspace Innovation Center, Incorporated  
Notes to Financial Statements  
December 31, 2012 and 2011  
(Continued)

(8) Evaluation of Subsequent Events

The CIC has evaluated subsequent events through July 12, 2013, the date on which the financial statements were available to be issued.

(9) Prior Period Adjustment

During the year ended December 31, 2011, it was discovered that grant revenue received during 2010 and not expended was recorded as unrestricted revenue. As a result, unrestricted net assets were overstated by \$791,458 and temporarily restricted net assets were not shown by the same amount at December 31, 2010. The beginning net asset amounts have been restated to reflect these amounts.

(10) Tenant Deposit

*During the year ended December 31, 2011, the CIC leased space to a business which required a deposit of \$375,000. The lease agreement provides for the deposit to be refunded over a three year period of time beginning April 1, 2012, subject to conditions of the lease. Annual payments will be made beginning April 1, 2012 of \$125,000.*

(11) Commitment

CIC entered into contraction contracts for certain leasehold improvements. Those contracts totaled approximately \$783,286 at December 31, 2012. No costs had been incurred under those contracts as of December 31, 2012.

(12) Contractual Revenue – Grants

During the years ended December 31, 2012 and 2011, CIC received contractual revenue from governmental agencies and contractors in the amount of \$2,249,320 and \$250,554, respectively. The continued existence of those funds are based on contractual renewals with the various funding sources.

Cyberspace Innovation Center, Incorporated  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended December 31, 2012

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Homeland Security</u>			
Direct Program:			
CETAP - Integrated Cybersecurity Education Communities Passed through State of Louisiana Governor's Office of Homeland Security and Emergency Preparedness:	97.127	2011-PD-127-000002	\$ 1,546,980
State Holmeland Security Program	97.067	2009-SS-T9-0059	69,147
State Holmeland Security Program	97.067	2010-SS-T0-0043	76,494
Total U.S. Department of Homeland Security			<u>1,692,621</u>
<u>U.S. Department of Defense</u>			
Direct Program:			
Air Force Office of Scientific Research Air Force Defense Research Sciences Program	12.800	AFOSR-BAA-2010-1	391,855
Total federal expenditures			<u>\$ 2,084,476</u>

NOTE 1: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

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Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on An Audit of Financial  
Statements Performed in Accordance With Government Auditing Standards

## Independent Auditors' Report

To the Board of Directors  
Cyberspace Innovation Center, Incorporated

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Cyberspace Innovation Center, Incorporated, (a nonprofit organization), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 12, 2013.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Cyberspace Innovation Center, Incorporated's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cyberspace Innovation Center, Incorporated's internal control. Accordingly, we do not express an opinion on the effectiveness of Cyberspace Innovation Center, Incorporated's internal control.

*A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.*

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Cyberspace Innovation Center, Incorporated's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Cook & Morehart  
Certified Public Accountants  
July 12, 2013

# COOK & MOREHART

*Certified Public Accountants*

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## Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

To the Board of Directors  
Cyberspace Innovation Center, Incorporated

### **Report on Compliance for Each Major Federal Program**

We have audited Cyberspace Innovation Center, Incorporated's, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Cyberspace Innovation Center, Incorporated's major federal programs for the year ended December 31, 2012. Cyberspace Innovation Center, Incorporated's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Cyberspace Innovation Center, Incorporated's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cyberspace Innovation Center, Incorporated's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Cyberspace Innovation Center, Incorporated's compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, Cyberspace Innovation Center, Incorporated, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

## Report on Internal Control Over Compliance

Management of Cyberspace Innovation Center, Incorporated, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cyberspace Innovation Center, Incorporated's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cyberspace Innovation Center, Incorporated's internal control over compliance.

*A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.*

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Cook & Morehart  
Certified Public Accountants  
July 12, 2013

Cyberspace Innovation Center, Incorporated  
Schedule of Findings and Questioned Costs  
December 31, 2012

**A. Summary of Audit Results**

1. The auditor's report expresses an unqualified opinion on the financial statements of Cyberspace Innovation Center, Incorporated.
2. No significant deficiencies are reported in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Cyberspace Innovation Center, Incorporated were disclosed during the audit.
4. No significant deficiencies are reported in the Report on Compliance for Each Major Program and Internal Control Over Compliance Required by OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs expresses an unqualified opinion.
6. There are no audit findings relative to the major federal award programs for Cyberspace Innovation Center, Incorporated reported in Part C. of this Schedule.
7. The programs tested as major programs included: CETAP- Integrated Cybersecurity Education Communities CFDA #97.127 and Air Force Defense Research Sciences Program CFDA #12.800
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Cyberspace Innovation Center Incorporated did not qualify as a low-risk auditee.

**B. Findings – Financial Statements Audit – None.**

**C. Findings and Questioned Costs – Major Federal Award Programs Audit – None.**

Summary Schedule of Prior Audit Findings  
December 31, 2012

Cyberspace Innovation Center, Incorporated was not required to have an audit in accordance with OMB-Circular A-133 for the prior year ended December 31, 2011.

Cyberspace Innovation Center, Incorporated  
Summary Schedule of Audit Findings  
Schedule for Louisiana Legislative Auditor  
December 31, 2012

**Summary Schedule of Prior Audit Findings**

There were no findings, questioned costs, or management letter comments for the prior year audit for the year ended December 31, 2011.

**Current Year Audit Findings**

There are no findings, questioned costs, or management letter comments for the current year audit for the year ended December 31, 2012.